

Message Text

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PAGE 01 RIO DE 02359 251655Z

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ACTION COME-00

INFO OCT-01 ARA-10 ISO-00 EB-07 /018 W

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R 251200Z JUL 75

FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC 2708

INFO AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

UNCLAS RIO DE JANEIRO 2359

E.O. 11652: N/A

TAGS: BEXP, BR

SUBJECT: PRODUCT OPPORTUNITY PAPER MAKING MACHINERY

REF: STATE 170014

1. CONGEN RIO HAS CONTACTED BNDE SUBSIDIARY EMBRAMEC REGARDING GOB ATTITUDE ON FOREIGN INVESTMENT IN THE MANUFACTURE OF THE PAPER MAKING MACHINERY. CONGENS RIO AND SAO PAULO HAVE ALSO CONTACTED TRADE SOURCES REGARDING ISSUES RAISED IN REFTEL.

2. ACCORDING TO EMBRAMEC DIRECTOR, ROBERTO LIMA NETO, BNDE IS NOT REPEAT NOT OFFERING "VERY ATTRACTIVE TERMS" TO INDUCE FOREIGN INVESTMENT FOR THE MANUFACTURE OF PAPER MAKING MACHINERY. AS IN ALL BNDE ACTIVITIES, FINANCING IS AVAILABLE TO BRAZILIAN MAJORITY OWNED FIRMS. IN THIS SPECIFIC CASE, VALMET AND ZANINI DO HAVE AN APPLICATION PENDING AT EMBRAMEC. APPLICATION WAS NOT RPT NOT SOLICITED BY BNDE, EMBRAMEC OR OTHER GOB AGENCIES. EMBRAMEC ANTICIPATES DENYING REPEAT DENYING VALMETZ/ZANINI APPLICATION. ANY BELOIT APPLICATION WOULD LIKELY SUFFER SAME FATE. EMBRAMEC HAS REACHED CONCLUSION THAT PAPER MAKING MACHINERY INDUSTRY IN BRAZIL IS ADEQUATELY SERVED BY VOITH S/A AND OTHER FIRMS ALREADY IN MARKET. FYI: THERE ARE FOUR FIRMS IN MARKET, NOT JUST THE TWO STATED IN REFTEL. VOITH DOMINATES MARKET AND MAKE STRONG PRESENTATION TO EMBRAMEC SUGGESTING VALMET/ZANINI

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PAGE 02 RIO DE 02359 251655Z

APPLICATION BE REJECTED. END FYI.

3. CONGEN RIO WAS SURPRISED DURING CONVERSATION WITH LIMA NETO TO FIND THAT BELOIT CORP. ALREADY HAS AN APPOINTMENT WITH EMBRAMEC ON FRIDAY, JULY 25 IN RIO.

4. REGARDING NECESSITY OF PILAO INVOLVEMENT, CONGEN SAO PAULO AND RIO DO NOT BELIEVE PILAO HAS ANY PREFERRED POSITION. SINCE, HOWEVER, APPLICATION IS LIKELY TO BE TURNED DOWN, QUESTION MAY BE MOOT. HOWEVER, EMBRAMEC DIRECTOR VOLUNTEERED, AND RIO TRADE SOURCE CONFIRMS, THAT EMBRAMEC WOULD BE FAVORABLY INCLINED TOWARD ANY APPLICATIONS REGARDING PULP MAKING MACHINERY. THIS IS AN AREA IN WHICH GOB DOES FEEL NEED FOR ADDITIONAL FOREIGN INVESTMENT.

5. WITH REGARD TO PARA 8 REFTTEL, AS NOTED ABOVE, THERE ARE NO SPECIAL CONDITIONS ATTACHED TO THE PROGRAM OTHER THAN NORMAL BNDE RESTRICTIONS. USDOC HAS GENERAL INFORMATION REGARDING BNDE AND ITS PROGRAMS.

6. TRADE SOURCES REPORT THAT PILAO IS A WELL REGARDED BRAZILIAN COMPANY. THEY HAVE HAD, AS NOTED IN REFTTEL, A RELATIONSHIP IN THE PAST WITH BELOIT. TRADE SOURCES BELIEVE, HOWEVER, THAT PILAO'S APPROACH TO BELOIT MAY BE MOTIVATED BY A FEAR THAT PILAO IS LOSING OUT IN ITS PRESENT LINES OF ACTIVITY. SPECIFICALLY, PILAO HAS IN THE PAST GENERATED MUCH OF ITS BUSINESS FROM SELLING REFINERS TO VOITH. VOITH HAS RECENTLY, HOWEVER, SIGNED A LICENSE AGREEMENT WITH AN AMERICAN FIRM FOR REFINERS AND PILAO IS LIKELY TO LOSE THIS IMPORTANT PART OF ITS BUSINESS.
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